October 18, 2022

Jerome Burns
Multi-Family Housing Lender
City of Seattle, Office of Housing
700 5th Ave., #5700
Seattle, WA 98104
Ph: 206-730-2086
Email: jerome.burns@seattle.gov

2022 Affordable Housing Application Review (NOFA)
Keiro
1601 Yesler Ave.
Seattle, WA 98122

Dear Jerome,

A review was performed for the proposed Keiro project, located at 1601 Yesler Ave., Seattle WA 98122. This review consists of reviewing the provided applicant materials, including Development Budget, Hard Cost estimate, Phase I Environmental report from 2021, Geotechnical report and early Concept Drawings. The scope of our review includes reviewing the aforementioned documents, analyze and compare per square foot costs with comparable projects, analyze and evaluate cost-estimates and designs proposed based on site and environmental conditions, evaluation of design and cost-estimate for cost savings, cost efficiency and value engineering opportunities. This Affordable Housing Application review scope and format is prepared per the requirements outlined in the City of Seattle Consultant Agreement. The result of our project review follows.

I. Project Information

Project Type: 4 Building multi-family apartment with 2 levels underground parking, 238 apartment units
Total Gross SF: 228,448 SF
Project Address: 1601 Yesler Avenue, Seattle, WA 98122

II. Documents Reviewed

The project evaluation results are based on the review of the provided documents. Specifically, the documents provided for our review include the following:

- Conceptual Plans, GGLO Architects, dated September 9, 2022
- City of Seattle CFA Forms
- Preliminary Cost Estimate, Absher Construction Company, Inc., dated August 29, 2022

- Geotechnical Report, GeoDesign Inc., dated , September 25, 2020
- Phase I Environmental Site Assessment, NV5, dated June 29, 2021
- Site Photos
- Site Survey

III. Project Description

Kiero will provide 238 new affordable housing units and an on-site early childhood learning center to meet the needs of Seattle's central district community. Until the property is ready for construction, the existing building is serving as a temporary housing shelter as of December 2021. New construction is scheduled to start December 2023 with the first of 4 new buildings ready for occupancy April 2024.

Property zoning is NC-1 (M) Neighborhood Commercial with 55 foot height limit and mandatory affordable housing requirement. The proposed project complies with this zoning as currently planned. Construction of 4 buildings on the site will occur after demolition of the existing former nursing and rehabilitation center, now vacant. New buildings will provide a mix of studio apartments, 1 and 2-bedroom apartments. On-site support programs will provide services for those in need. The unit mix is planned to be:

Studio Units- 46 rooms
1-Bedroom Units- 170 units
2-Bedroom Units- 22 Units

Each of the 4 buildings is planned with the same floor plan layout on each level above the ground floor. This will maximize construction efficiency and enhance the construction schedule as the crew becomes familiar with the repeating layout and construction details. Ground floors will include commercial spaces and units on the ground floor along with an entry lobby, trash room, mechanical room, bike storage and other "back-of-house" functions. Common areas and amenities will include resident storage rooms, manager's office, mail room, lobby, resident lounge, and a bike storage room.

Planning for the structure includes use of wood frame construction over one post tensioned concrete slab that separates the ground floors from the levels above. As required by building codes, the buildings will be fire rated construction with double party walls separating the living units, 2-hour rated corridor separation walls and shafts. All will be fire sprinkler protected.

The property is bounded on the west by 17th Ave. South, on the east by 16th Ave. S, on the north by E. Yesler Way and on the south by S. Washington Street. The south building will be 5-stories tall, the west building 6-stories tall, the north building 7-stories tall and the east building 8-stories tall according to the conceptual plans drawn by GGLO architects. No provision for parking is included within the buildings or on the property. A central courtyard is located in the center of the properties to serve as a tenant amenity and to provide a community gathering space and play area for residents.

Conceptual sketches indicate the use of wood shiplap siding, bronze painted doors and window frames, sunken ground floor units to comply with building height limitations, roof gardens and decks for relaxation and full sliding glass doors with steel barriers serving as Juliette balconies for fresh air to every unit. Each apartment unit is planned to have a full kitchen with dishwasher and its own laundry equipment. Full bathrooms with tubs are shown on the concept drawings.

No outline specifications were provided; therefore, we cannot comment on the durability and quality of the proposed materials and finishes.

IV. Project Application Review, Analysis and Recommendations

With the documents received as part of the Affordable Housing Application and with our understanding of the project as described above, the following is our review and comments for each individual application component:

A. Project Site Visit Observations: The purpose of our site visit is to understand the site for feasibility, challenges and opportunities for design and cost savings measures. The result of our site visit observations follows:

i. **Date of Site Visit**: October 17, 2022

ii. **Site Conditions and Geometry:** The property is a square block on Capitol Hill that includes an L-shaped three story structure of concrete foundations columns and beams on the first floor and wood frame with stucco exterior on the two upper stories occupying the East and north sides of the land. A surface parking lot is located on the SW portion of the property with approximately 20 parking stalls and an additional 22 stalls for employee parking are provided under the west end of the north wing of the building. The property slopes from the NE to the SW with elevation change of approximately 25 feet. This results in the need for a sloping landscape area on the west of the lot and a rockery retaining wall on the south property line.

iii. **Site Challenges:**

1. The grade change across the site will require shoring of the perimeter walls in order to support surrounding street and sidewalks during site excavation, adding to project costs.

2. Overhead power lines are present on the north, west and 70% of the south property boundaries. This will mean site access for material deliveries will be primarily from the east side where there are mature street trees the length of the property. The City of Seattle will likely require these trees to remain and be protected during construction, making the logistics of material delivery challenging and more expensive.

iv. **Site Opportunities:** The planned 4 buildings will encircle the exterior of the property and are being phased. This should allow for on site storage during construction, saving the cost of warehouse storage used in “just in time” delivery to the project.

Opportunity to redevelop an entire city block is rare in Seattle, and providing new affordable housing here will serve the entire region, helping to alleviate an urgent need for housing.

Soil present on the site is glacial till and will easily support the planned structures with economical foundations. Construction during wet winter months should remain feasible given the soil on site.

v. **Risks**:

Environmental – The only identified risk in the phase I Environmental Assessment is the low potential for encountering underground storage tanks or small areas of contaminated soil during excavation. According to the development plan, prior to demolition sponsor Africatown plans to test the existing building for lead paint and asbestos that may be present given the age of the building. This risk is minimal in that such practices are common and removal prior to demolition is standard practice. Some added cost for such removal is a risk.

Excavation – the excavation portion of the project could run the risk of discovering unknown conditions that have the potential to increase project costs or extend the schedule. Also, the seasonal timing of the excavation should be considered to reduce the risk of heavy rains and site water management.

vi. **Cost savings Ideas:** Timing the site excavation with the existing building demolition schedule may provide cost savings if the excavation subcontractor can mobilize only once and stay on site to excavate soil immediately after the building demolition debris is removed, potentially taking advantage of excavated site grades following demolition.

B. Application Material Review: A detailed review of each Application document submitted follows:

i. Development Budget Review

a) Hard Costs: Forms 6A and 6B indicate the construction costs will be $74,130,000 including contractor overhead and profit. A 1% escalation cost of $1,412,000 is carried in the development budget, plus a 5% construction contingency of $3,530,000. The estimate from Absher Construction Company including overhead & profit, warranty, B/O Tax, General Liability, and Builder's Risk totals $75,485,893.

PLEASE NOTE: The Absher cost estimate exceeds the development budget estimate for construction, and does not appear to include the cost of existing building demolition. It also assumes no added costs for phased building openings among the 4 structures, however the project development schedule indicates a phased opening is planned. A phased opening will add costs to construction as the contractor must protect new building occupants from the site and inherent risks of buildings not yet completed. Further, the Absher estimate does not include any escalation in pricing between 2022 and the start of the construction at the end of 2023.

While the development budget includes a 1% escalation cost that should cover the Absher estimate total cost, some of the planned 5% contingency appears to already be committed to cover the costs of Absher price escalation and phased occupancy. It is also possible that, with careful design detailing as actual design occurs, that some costs could be saved.

b) Soft Costs: Design fees amount to 4% of the construction cost, a conservative fee that could probably be lower given the size of the project. Construction contingency is 5% of construction hard cost, a sufficient fund if the building demolition cost is in fact included in the construction budget (it currently does not appear to be included). If not, the demolition cost should be added to the hard cost budget, an estimate of approximately $500,000 for the size of the existing building plus debris disposal costs. Developer Fee is $11,514,168 or about 16% of budgeted construction hard cost. This is a high fee, $8,085,570 of which is listed as "deferred developer fee" on the sources-and-uses table as a funding source. Other fees for appraisal, geotechnical, environmental and other consultants, and boundary survey are reasonable and appropriate. We do note that the construction estimate and the developer's soft cost budget does not indicate testing and inspection costs and street-use permit fees for street closure management.

c) Completeness of Budget: The budget appears to be complete for the development cost items expected to be encountered. These include Permit and hookup fees, bridge loan interest costs, construction loan interest, permanent loan fees, construction loan fees, real estate tax, insurance, relocation fees, carrying costs at lease up, and sales tax are all included in the development budget with appropriate values based upon the information provided.

d) Owner's Hard Cost Contingency Review: Contingency for construction is listed at 5% of the hard costs, providing a sufficient reserve for unknown conditions that may occur during the work conditioned upon building demolition being included in the estimate for construction of the new building. If it is not, we recommended carrying an additional $500,000 for this effort.

e) Fee Reasonableness Review: The developer fee for the proposed project is 16% of hard costs and is higher than commercial market average fees which run between 3 and 5% for projects of similar scope to Keiro.

The General Contractor Fee is approximately 5% which is consistent with current commercial construction market fees for new apartment projects, but may be negotiated somewhat lower when the design is fully completed and all construction details are identified.

Design fees are within the range of reasonableness but also may be negotiated somewhat lower.

ii. Construction Budget Review

The contractor cost estimate consists of a conceptual estimate based upon sketches of the planned construction work. This early planning approach is made more accurate by a detailed analysis of the floor areas devoted to each use in the buildings and the apartment unit mix. The contractor has used a square foot cost allocation for each building component to arrive at the projected cost estimate for construction.

Square foot costs applied to the estimate by Absher Construction include:

Apartment construction- $341.17 per square foot
Site Shoring- $95 per square foot
Plazas and Courtyards- $27.60 per square foot

a) Budget Review – Current average costs for wood frame apartments over a concrete main floor level with post tensioned concrete deck average $283.35 per sf with a range from $245 to $333 per sf. With costs projected to be inflated near 8% in the next 12 months, the proposed budget of $341.17 per sf has a present value of $313.87 in 2022, which is within the current range of costs we are experiencing today. In our opinion the projected costs in Absher's estimate is appropriate and should be close to the final costs established when plans are completed for the design. We note that the estimate does include shoring the property but does NOT include building demolition. We suggest the development budget should include additional funds for the building demolition and debris disposal.

b) General Condition & Contingency Review – The cost estimate provided by the General Contractor did not provide a detailed breakdown of the General Conditions (GCs). The estimate does not include escalation of prices as a line item, nor does it include a cost contingency fund.

c) Budget Assumption Review: The budget does not include phased construction or phased building delivery.

iii. Environmental Review

a) **General Summary:** A Phase I Environmental Site Assessment report was completed during June, 2021 by NV5. The report concludes that there are no Recognized Environmental Conditions related to the property. There are several items of note, however, that are identified and related recommendations were provided as follows:

There are hazardous chemicals present in drums on site. These should be removed and properly disposed.

Accumulated solid waste on site should be removed and if noted to include hazardous materials those should be properly disposed.

In its history the site was used for residential occupancy and had a water well in use. Should any underground storage tanks, or water wells be found during construction, they should be decommissioned and removed from site.

No asbestos or lead paint survey was conducted. These should be completed prior to building demolition

b) **Environmental Items Included in Design:** Nothing in the conceptual plans addresses environmental studies or issues.

c) **Environmental Items considered in Budget:** No environmental assessment or testing fees are included in the Form 6a Development budget. No detail is included in the contractor construction cost estimate and we assume any activity involving hazardous materials is excluded from the contractor cost estimates.

d) **Cost Saving Ideas:** None.

Review Comment: If Keiro is selected for award, it will be important to clarify who will be responsible for, and what the source of funds will be, for removal of hazardous material drums, solid waste, testing the existing building for lead paint and asbestos and removing these hazards prior to building demolition.

iv. Geotechnical Report Review

a) **General Summary:** Foundations can be supported on the glacially compacted soil present on site. Soil will be moisture sensitive at the bottom of excavation and the contractor should place a working blanket of material to support construction equipment and activities. Temporary shoring will be required for the excavation of the basement level. Soil liquefaction under earthquake loads, surface rupture and lateral spreading are not a hazard for this site.

Site Class: C
Liquefaction Potential: Negligible
Temporary shoring will be required during the excavation of the underground garage
Tieback soldier pile walls is recommended
Soil Bearing Pressure: 8,000 psf native material
Footing depth: 18”
Footing Dimensions: 24” wide individual footings, 18” wide continuous footings
Slab Vapor barrier: Recommended if flooring materials are to be installed over concrete slabs on grade.
Groundwater was observed during the geotechnical investigation; therefore, dewatering may need to be taken into account during the building construction.

b) **Geotechnical Items Included in Design:** Early design concept drawings do not include foundation design or related geotechnical recommendation items.

c) **Geotechnical Items considered in Budget:** Underground parking structure of 2 stories is included in the budget, however, no specific line items are included at this early stage of concept development.

d) **Cost Saving Ideas:** None related to geotechnical work scope.

v. Schematic Design Document Review:

a) **Alta Survey Review:**

b) **Civil Drawing Review:** Not Provided

c) **Architectural Drawings:** Conceptual Plans and site history, ADJEI Associates with GGLO Architects, dated September 9, 2022. Site plan, buildings floor area and apartment unit mix descriptions, Building Envelope concept drawings. These describe a high density campus of 4 multistory residential buildings that integrate well with surrounding community amenities and facilities serving the neighborhood.

d) **Structural Drawing Review:** Plans not provided.

e) **MEP Design Review**: Plans not provided.

f) **Missing Work Items: (Minor):** None.

(Major) The conceptual plans include block diagrams and illustrative drawings of the proposed 4 building improvements. Schematic plans have yet to be developed and many details will be identified when this occurs.

C. Hard Cost Analysis based on per square foot costs: Falkin has completed our Hard Cost analysis based on comparable square foot costs with the comparable cost of recent renovation projects. The findings of the hard cost comparable review follow:

- **Overview Summary:** A general contractor (GC), Absher Construction, has prepared a conceptual estimate based upon the calculated floor areas for the various buildings and educated guess at related site work requirements using the concept plans provided by the development team and consultants. There was no line item schedule of values to evaluate at this early estimate stage of development, therefore we could not complete our line item budget cost analysis. As noted above, current average costs for wood frame apartments over a concrete main floor level with post tensioned concrete deck average $283.35 per sf with a range from $245 to $333 per sf. With costs projected to be inflated near 8% in the next 12 months, the proposed budget of $341.17 per sf has a present value of $313.87 in 2022, which is within the current range of costs we are experiencing today. In our opinion the projected costs in Absher's estimate is appropriate and should be close to the final costs established when plans are completed for the design. We note that the estimate does include shoring the property but does NOT include building demolition.

- **Cost Saving Ideas:**
  1. The developer fee for the proposed project is 16%, higher than commercial market average fees.
  2. Mobilizing the excavation/site work contractor at the same time as demolition is being completed may allow for cost savings by using the excavated site area resulting from the building demolition activity.

D. Evaluation of Design and Cost-Estimates based on Site and Environmental Conditions:

i. **Evaluation of Design based on Site and Environmental Conditions:** Existing site conditions are included in the design and no changes to site improvements are anticipated.

ii. **Evaluation of Cost-Estimates based on Site and Environmental Conditions:** No large expenses are anticipated for contaminated soil or underground storage tanks.

E. Analyze and Compare Cost-Estimates with Comparable Markets: Other than the cost of building demolition, the development and contractor budgets are comparable to current market costs projected for one more year prior to the expected start of the construction process. The design of the apartment building units is identical in each of the 4 buildings and should allow for efficient assembly by an experienced field crew.

F. Evaluation of Design and Cost Estimates for Cost Savings and Value Engineering Opportunities: Falkin Associates has completed an internal Value Engineering Opportunity Charette to develop potential ideas for cost saving opportunities for the Development team to consider. The resulting potential revisions are summarized above. There are further opportunities for potential cost savings as the project specification is developed and material selection is made. This should be paramount in the considerations of the design team with the developer's guidance.

G. Summary:

Conceptual design takes full advantage of the property available for development. The cost estimate by Absher construction is within the expected range of costs for work to begin in 2023 and be complete in 2024. There are cost savings potential opportunities in the selection of materials and building equipment as the specifications for the project are identified and adopted, and there may be some negotiating room in the general contractor fee, design fees and developer fees to save money.

In our opinion the planning is well done to date and this project has potential to successfully provide sorely needed affordable housing to the community and will fit well into its setting.

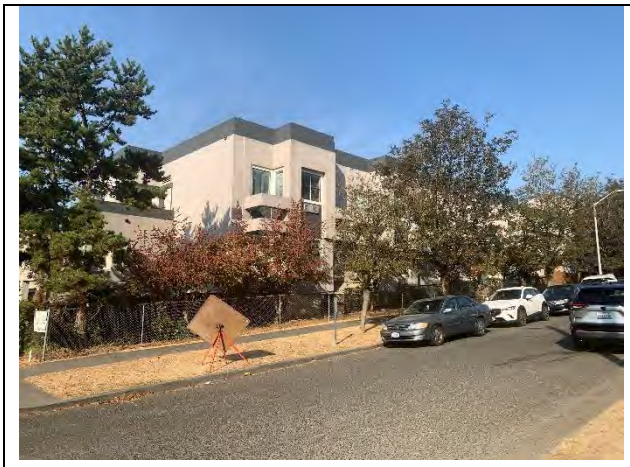
DISCLAIMER: This report has been prepared for the sole use and benefit of The City of Seattle Office of Housing "Funder(s)" and is based in part, upon documents, writings and other information owned and possessed by Funders. Neither this report nor any of the information contained herein shall be used or relied upon for any purpose by any person or entity other than Funders.

Best Regards,

Harlan Falkin, CCM, LEEDap
Principal
FALKIN ASSOCIATES

If you have comments or questions about this report, please contact Falkin Associates via email at go@falkinassociates.com or by phone at (206) 527-3417.

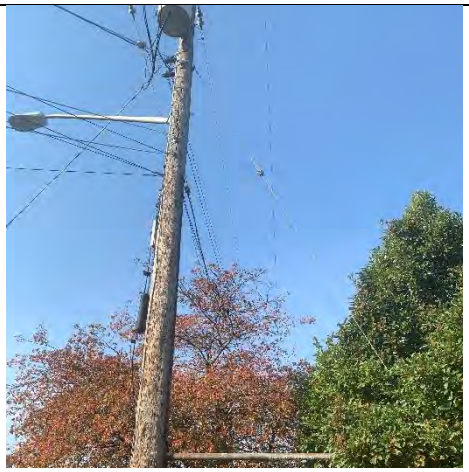
Site Photos



Existing building looking NW. Note sloping property

South side of property with three story building

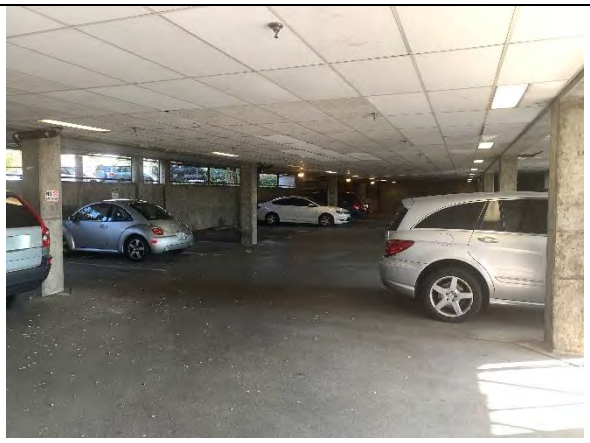
Stucco covered siding on upper floor levels



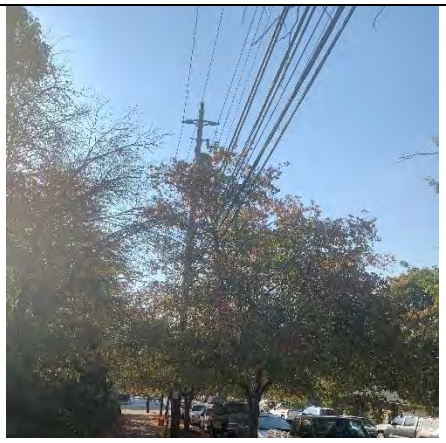
Power lines along south property line

SW surface parking area

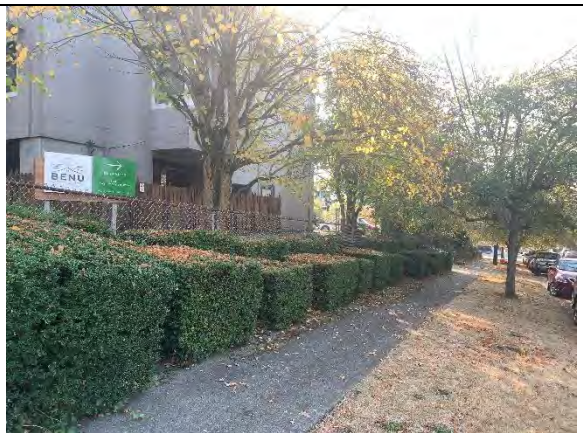
Grade change on west side



Under building parking shows concrete building structure



Multiple overhead power and communications wires west property line



North boundary with sloping site

Street trees line east property line

Intentionally Left Blank

Intentionally Left Blank